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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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State Dept. review completed

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GENERAL

1. Sino-Polish trade treaty signed: A trade treaty covering Sino-Polish commerce in 1952 was signed in Warsaw on 11 July, according to the Soviet press. The treaty provides for Chinese shipments to Poland of ores, asbestos, graphite, and agricultural products. Return shipments to China will consist of railway rolling stock, metal products, machine tools, chemicals, paper, and other goods. (R Moscow 93, 14 July 52)

Comment: China's trade with most of the Orbit countries is carried on under trade pacts which are signed annually. The amounts involved in these treaties are not announced, but Communist statements consistently indicate that China's trade is being steadily oriented toward the Orbit countries. In September 1951, Radio Warsaw stated that Sino-Polish trade in 1951 was expected to reach six times the level of the preceding year.

SOVIET UNION

2. Soviet cruisers may be exiting Baltic: Location of a Soviet Sverdlov-class cruiser steaming westward through the Baltic off the Polish coast and a Soviet reconnaissance plane in the vicinity of Ruegen Island may be indications that the Soviet Navy is transferring this craft out of the Baltic via the Great Belt Straits of Denmark, [REDACTED] On the basis of the time and location of the sighting, [REDACTED] believe that the ship may lie over night in the Swinemuende area in order to be able to complete passage of the straits in daylight. Such a stay in Swinemuende would permit this cruiser to be joined by a second cruiser of this class now in the Southeast Baltic for a joint passage. [REDACTED]

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Comment: Although transfer of one or more cruisers from the Baltic to the Northern Fleet has been rumored for this summer,

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this is the first report and remains to be confirmed. Two Chapayev-class cruisers moved from the Baltic to the White Sea via this route last summer. Following launching of three cruisers in 1951, the transfer of additional cruisers out of the Baltic, where their wartime value would be limited, would not be unexpected. Withdrawal of two cruisers from the Baltic Fleets would reduce cruiser strength in that area to three, one less than the number present in early 1951.

Reports of Soviet naval or amphibious exercises in the Southern Baltic have occasionally indicated the involvement of craft of this size.

EASTERN EUROPE

3. Opposition to new Hungarian work norms condemned as Socialist-inspired: The Hungarian trade union newspaper currently is campaigning for fulfillment of the new work norms. Opposition is condemned as inspired by the "enemy." One worker was accused of turning in low averages deliberately because he has been under right-wing Social Democratic influence. Another worker who broke his tools was accused of having visited American "propaganda organs" in Budapest.

According to the US Legation in Budapest, workers have spaced their work to postpone speed-ups as long as possible and Social Democratic trade union leaders often have led resistance against such speed-ups. (R Budapest 37, 14 July 52)

Comment: The new work norms were promulgated on 1 June, as a result of the combined efforts of a Russo-Hungarian committee of experts. The campaign to connect resistance to the present high pressure work campaign with right-wing Social Democratic "sabotage" and American agencies now appears to be fully launched.

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4. Italians assisting in the construction of steel rolling mill in Poland:

25X1C [redacted] a number of Italian nationals visited Poland before October 1951 on behalf of various firms in Italy. The same individuals are expected to make other trips to Poland to assist in the establishment of a large rolling mill. [redacted]

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Comment: The Italian Government has recently confirmed that it is continuing shipments to Poland of equipment for a steel rolling mill which was contracted for before the Battle Act. At

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least one half of the equipment ordered from Italy for this mill has already been delivered.

Under the Six-Year Plan, Poland is concentrating on the expansion of its steel industry, for which it badly needs many types of capital equipment. The construction of a steel rolling mill with Italian equipment and with the assistance of Italian technicians will be of immense value to Polish industrial expansion, and to the economic potential of the Orbit in general.

5. Prospects for Yugoslav wheat and corn crops: Yugoslav wheat production in 1952 will total an estimated 2,050,000 metric tons as against a requirement for 2.4 to 2.5 million metric tons. The Yugoslav Government is planning to import at least 300,000 metric tons of wheat and wheat flour. Agreements have been negotiated for 150,000 metric tons, but the Yugoslavs will wait until the final results of wheat and corn crops and the situation in the other countries are known before negotiating for the additional 150,000 metric tons.

The corn crop is critical because the Yugoslavs must export excess corn production to pay for wheat imports. Last year, corn available for export was sufficient to cover required wheat imports. This year, however, needed wheat imports are 50 percent greater. To date, prospects for the corn crop are judged to be good. (R Belgrade TOMUS 27, 12 July 52)

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FAR EAST

6. Indian Ambassador attempting to influence Japanese policy: Japan's Foreign Minister Okazaki has informed Ambassador Murphy that the Indian Ambassador in Tokyo, K. K. Chettur, on three recent occasions has tried to influence Japanese policy by intimating that Japan should be consulted regarding UN action in Korea such as the Yalu raid.

Chettur suggested that Japan should indicate its disapproval of methods now being pursued on the theory that Peiping would be alienated and peace prospects reduced. (S Tokyo 177, 14 July 52)

Comment: Chettur, a strong advocate of India's neutrality, has openly criticized American Far Eastern policy. He is supporting neutralist elements in Japan, and is believed to have been instrumental in influencing Nehru against India's participation in the Japanese Peace Treaty Conference at San Francisco.

7. Japanese shipping firm planning cargo service to China: The Dai Ichi Steamship Company is planning to establish cargo service to Communist China using two 4,000 ton vessels, according to the American Embassy in Tokyo. The firm is presently negotiating through business associates in Peiping for entry rights into Tsingtao and Taku Bar with the provision that Communist China extends adequate guarantees.

The Japanese Government is favorably disposed toward the plan, but will reportedly require a commitment from Dai Ichi that the ships will carry no goods under export control. (S Tokyo 186, 15 July 52)

Comment: The major portion of Japan-China trade is now being carried on British vessels.

Although aware of the political implications of this move, particularly at a time when Japan is attempting to lease 50 American reserve fleet vessels, the Japanese Government probably feels compelled by public and Diet pressure to liberalize its shipping policies to accord with those of Great Britain.

8. British encouraged by Chinese reply on withdrawal of trading interests: British Foreign Office opinion tends to agree with Ambassador Lamb in Peiping that the Chinese reply

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to the note regarding the withdrawal of British trading interests from China is moderately encouraging. The Foreign Office still believes, however, that concrete progress should be made on the withdrawal before pursuing the plan for a single British trading group in China in which there are indications of Chinese interest.

Ambassador Lamb has commented that the Chinese took great pains to reply formally to the British representations, and that the note appears less aggressive in tone than might have been expected. He cited indications that Peiping may be instructing local authorities not to be unduly obstructive in discussing terms of withdrawal. (S London 242, 14 July 52)

Comment: There have been no reports from China of any departure from the general pattern of obstructing efforts of British firms to withdraw.

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9. Plan for major Viet Minh offensive reported: [redacted]

[redacted] reports that the Viet Minh has prepared a military plan for a coordinated attack by all units to penetrate the French defense perimeter north and south of Hanoi. According to this plan, which covers the period from July through October, two Viet Minh divisions will attack against the northwestern sector of the perimeter, followed by another divisional attack in the area east of Hanoi. In the southern sector of the delta, a fourth division will create a diversion.

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[redacted] states that the primary aims of the operation are to collect rice from the "last" harvest and to increase Viet Minh control in the delta area. [redacted]

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Comment: The "last" harvest may refer to the May or October harvest.

Most reports indicate that the Viet Minh, currently engaged in training activities and the stockpiling of supplies, does not intend to mount a major offensive until the beginning of the dry season in October.

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WESTERN EUROPE

10. New "reforms" for East Germany announced at Socialist Unity Party conference: Implementation of the administrative "reforms," announced at the Socialist Unity Party conference last week, would continue the trend toward tighter controls and concentration of authority in East Germany which began with the government reorganization announced in May. The "reforms" may reflect dissatisfaction with previous performance, but probably also anticipate the introduction of additional measures likely to be unpopular. These might include still tighter border controls, party and administrative purges, further curtailment of "bourgeois" political activity, and ultimately the complete satellization of East Germany.

The failure to announce measures for the immediate formation of a national army suggests either that initial steps will be taken sub rosa or that the East Germans will await the lead of the Bonn government.

The possibility that a decision to embark on full-scale re-armament has not yet been reached is supported by the continued emphasis on the necessity of obstructing West German adherence to the European Defense Community while preparing an East German "socialist" base from which the "vassal Bonn government" can be upset. (Factual data from: R FBIS Berlin, 9-14 July 52; R Berlin 78, 12 July 52)

11. Soviet authorities reportedly prohibited use of tanks in East Berlin parade: Soviet authorities refused the East German Alert Police permission to use tanks in the 11 July East Berlin parade celebrating the Socialist Unity Party congress.

American observers in Frankfurt believe that despite strong pressure from some East German Communists for more drastic action, party leaders and Soviet representatives are proceeding cautiously and making frequent changes in their plans. (S Frankfurt Telecon, 11 July 52)

Comment: Press reports state that 7,000 persons took part in the parade, but there were no incursions into West Berlin, as reportedly planned.

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12. Austrian Government moves to "settle" denazification question: Five legislative measures submitted by the Austrian Government for parliamentary approval last week link a major termination of atonement measures for former Nazis with minor provisions for compensation to Nazi victims. The amnesty measures, if approved, will excuse the vast majority of implicated Nazis from making further reparations, will in many cases rescind previous forfeitures of property under the denazification laws, and will compensate ex-Nazi civil servants for salaries lost through denazification for the years 1945 through 1948. Nazi victims, on the other hand, will receive only "small compensation" for job or salary losses incurred under the Nazis and compensatory payments for detention in Nazi prisons. (C Vienna 100, 10 July 52; R FBIS Vienna, 14 July 52)

Comment: The United States has recently protested the treatment accorded Nazi victims by the Austrian Government, and a recent "veto" of amnesty legislation by the US High Commissioner on these grounds provoked an angry Austrian reaction. This present sugar-coating of the amnesty measures with moderate compensating measures is probably designed to discourage further US objections.

Final amnesty for former Nazis, a perennial question in Austria, is again becoming an urgent issue as the 1953 elections approach, since former Nazis hold a decisive bloc of votes.

13. Leader of Christian Democratic "left" wing resigns from Italian Parliament: Giuseppe Dossetti, former head of the Christian Democratic Party's "left" wing, has presented a letter of resignation to the Italian Chamber of Deputies. Although the Chamber unanimously rejected it, the US Embassy in Rome believes that Dossetti may insist that it be accepted.

Since his withdrawal from party life last summer, the Dossetti forces have coalesced into a broader center-left faction, known as the "Democratic Initiative," headed by Foreign Affairs Under Secretary Taviani, Agriculture Minister Fanfani, and Deputy Rumor. The Embassy points out that Dossetti had originally retired last summer because of his belief that efforts to "renew and transform" the Christian Democratic Party had failed. (C Rome 177, 14 July 52)

Comment: Dossetti's reformist faction has been very close to the Church, but his anti-Fascist stand made it impossible for him to work with Catholic Action chief Gedda, who advocates closer collaboration between the Christian Democrats and the neo-Fascists. Dossetti's resignation may also be in protest against

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the Christian Democrat-sponsored draft bills restricting press and labor activities.

Further weakening of the anti-Fascist forces in the Christian Democratic Party is suggested by the announcement that Interior Minister Scelba, sponsor of the recently-passed bill against Fascism, is taking leave "for reasons of health."

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Office of Current Intelligence
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FAR EAST

1. Indochina official opposes closer Vietnam-China relations: Referring to current pressure from Taipei for closer relations with Vietnam, the Assistant French Diplomatic Counselor in Saigon said that any advantage to be gained from the establishment of diplomatic relations was outweighed by the danger of arousing the Chinese Communists. He asserted that the Vietnam Government prefers to have the French bear the responsibility for relations with the Chinese, and he discounted official Chinese Nationalist allegations that there exists among the Chinese of Indochina a popular demand for direct China-Vietnam diplomatic relations.

The American Embassy comments that the latter two arguments appear "quite likely," but made no comment on the first. (S S/S Saigon 102, 14 July 52)

WESTERN EUROPE

2. British Government will seek prompt ratification of contractual agreement: Foreign Secretary Eden has now decided to schedule a parliamentary debate for the end of this month on ratification of the Allied-German contractual agreement. The American Embassy in London attributes Eden's decision not to postpone debate until fall to his belief that, although the parliamentary Labor Party generally favors postponement, Labor support even at that time would not be assured. Eden also wants Britain to be next after the United States to ratify.

The Embassy comments that during the debate the Labor Party may be forced either to repudiate the policies it inaugurated or to provoke Bevanites and others to breach party discipline. (S London 244, 14 July 52)

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Comment: Although the Conservative government has enough votes to ensure ratification at any time, Eden has been willing to postpone debate and to propose four-power talks on Germany in an effort to allay British Labor Party fears that Germany was being rearmed before all possibilities of negotiating with the USSR had been exhausted.

The Bevanites and moderate leaders of the Labor Party continue to disagree on Western rearmament. The recent vote by three of the six largest British trade unions to oppose the present level of British rearmament shows increasing support for the Bevanite views among the rank and file of union members, despite the fact that some of the most important Trades Union Council officials support the rearmament program.

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